

# FISCAL NOTE

**Bill #:** HB0240

**Title:** Tax credit for health insurance premiums

**Primary**

**Sponsor:** Emily Swanson

**Status:** As amended in House Taxation

Sponsor signature	Date	Dave Lewis, Budget Director	Date
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## Fiscal Summary

	<b><u>FY2000 Difference</u></b>	<b><u>FY2001 Difference</u></b>
<b>Expenditures:</b>	\$0	\$0
<b>Revenue:</b>		
General Fund	\$0	(\$3,714,750)
<b>Net Impact on General Fund Balance:</b>	<b>\$0</b>	<b>(\$3,714,750)</b>

<b><u>Yes</u></b>	<b><u>No</u></b>		<b><u>Yes</u></b>	<b><u>No</u></b>	
	X	Significant Local Gov. Impact		X	Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts

## Fiscal Analysis

### ASSUMPTIONS:

1. Employers will maximize the 50% tax credit and will begin participating in the program on January 1, 2000.
2. Amounts taken for the tax credit are not applicable as deductions in other tax codes.
3. Because of the small size of these businesses, tax credit will be issued against personal income tax.
4. It is estimated that the number of businesses in Montana with 2 to 9 employees in 1999 will be 22,259. Estimated number of employees for these businesses in 1999 will be 74,374.
5. About 25% of employees who work for small businesses in Montana are employed less than 20 hours a week and will not qualify for health benefits.

6. In FY 2001, 74% of small businesses will qualify under assumption 3 and 25% of employers who qualify will purchase a small group health plan and take advantage of the tax credit. About 80% of the employees will enroll in the newly offered health plans; the remaining 20% will decline coverage because they are covered under a spouse's plan or for other reasons.

FISCAL IMPACT:

	<u>FY2000 Difference</u>	<u>FY2001 Difference</u>
<u>Revenues:</u>		
General Fund (01)	0	(3,714,750)
<u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>		
General Fund (01)	0	(3,714,750)

LONG-RANGE IMPACTS:

There will be a long-range impact to this bill. The tax credit will be approximately \$4.6 million in FY 2002, and \$5.3 million in FY 2003 until an estimated maximum of \$7.4 million to be reached in FY 2005 and less in subsequent years due to the limitation of the allowed credit. New business enrollment numbers should be less than the initial numbers of qualified participants in future years. It is estimated that the ongoing tax credit will be approximately \$6.5 million from FY 2006 until FY 2010.